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**CERTIFIED ACCOUNTING TECHNICIAN**

**STAGE 2 EXAMINATIONS**

**S2.3 PROFESSIONAL ETHICS IN ACCOUNTING AND**

**FINANCE**

**DATE: MONDAY 26, AUGUST 2024**

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**INSTRUCTIONS:**

1. Time allowed: **2 hours and 30 minutes**
2. This examination has **one** section only: **Section A**
3. Section A has **50 compulsory** multiple-choice questions equal to 2 marks each.
4. Question paper should not be taken out of the examination room.

## SECTION A

### QUESTION ONE

Jean is an employee in one of the local four audit firms in Rwanda. He is a tax consultant and a member of ICPAR. Last week, he helped the client to evade taxes and Rwanda Revenue Authority (RRA) has penalized the client with huge interests and penalties.

**Which of the following qualities of ethical behaviour has Jean failed to demonstrate?**

- A Sensitivity
- B Integrity
- C Fairness
- D Honesty

**(2 Marks)**

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### QUESTION TWO

Lucy called into her office to say she is too ill to work, but in fact she was not ill and went shopping for the day.

**Which of the following qualities of ethical behaviour has Irene breached here?**

- A Integrity
- B Honesty
- C Fairness
- D Sensitivity

**(2 Marks)**

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### QUESTION THREE

Article 4 of Law No 11/2008 (Parliament of the Republic of Rwanda, 2008) states that every accountant in Rwanda must be characterized by integrity, must not cause disrepute to the accounting profession, and must abide by ICPAR Code of professional conduct and ethics.

**Which one of the following is not a responsibility of ICPAR as highlighted in Law No 11/2008**

- A Regulating the accounting profession in Rwanda.
  - B Issuing regulations to promote the functioning of the Institute
  - C Promoting the competence and capacities of its members
  - D Encouraging unqualified accountants to practice and hold office at a greed fee. **(2 Marks)**
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#### QUESTION FOUR

**Which of the following is not a general principle that applies to political neutrality?**

- A An accountant's professional duty is to provide fair and honest advice, regardless of their political views.
  - B It is in the public interest for accountants, and other civil servants, to be politically neutral
  - C Public sectors accountants should not express their personal political views.
  - D Accountants in the public sector need to keep their personal political views separate from their jobs.
- (2 Marks)**
- 

#### QUESTION FIVE

A consultancy firm in accountancy and audit holds some money on behalf of its clients. However, the consultancy firm only has a single bank account, in which it holds its own money as well as the clients' money.

**Which client money safeguard does the accountancy firm appear not to be applying in this situation?**

- A Separation
  - B Accountability
  - C Use
  - D Appropriation
- (2 Marks)**
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#### QUESTION SIX

Sam worked for Company XYZ as a construction engineer. As such Sam gained a detailed knowledge of a design, which Company XYZ had constructed, and which it has protected via various patents. Sam then left Company XYZ, and, a year later went to work for their key competitor, Company ABC.

**Which of the following best describes Sam's duty of confidentiality in terms of his knowledge of the design Company XYZ constructed?**

- A Sam can share his knowledge with Company ABC as he now works for them.
  - B Sam cannot share his knowledge with Company ABC as he continues to owe a duty of confidentiality to Company XYZ.
  - C Sam can share his knowledge with Company ABC in one year's time, as his duty of confidentiality to Company XYZ lapses after a year.
  - D Sam can only share his knowledge with Company ABC if he is sure it is reliable.
- (2 Marks)**
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## QUESTION SEVEN

Pierre an accountant of Nyabugogo City Club, came to know that his subordinate Accounts Officer was involved in misappropriation of money in the cash safe custody that Pierre lost in last week. However, Pierre does not have sufficient evidence on the act.

**What could be the most appropriate course of action in this case?**

- A Ignore the incident and don't communicate anything to anyone as long as he doesn't have sufficient evidence
  - B Report the issue to his/her supervisor, the Chief Finance Officer
  - C Report the issue to the disciplinary committee for further investigation
  - D Inform and seek legal advice from external legal counsel
- (2 Marks)**
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## QUESTION EIGHT

At a recent presentation to investors, Kivu Golf Club Finance Manager (FM) gave a very optimistic forecast about the company's future, suggesting that profits will increase by 60% over the next three years. The FM prepared his forecast and his presentation in a hurry and did not get them confirmed by anybody else within Kivu Golf Club. The FM's presentation did not mention that the government was considering legal action against Kivu Golf Club for underpayment of taxes. If the government's claim is successful, it would significantly reduce Kivu Golf Club's forecast profits.

**Which of the fundamental ethical principles is most at risk from the FM's behaviour?**

- A Objectivity
  - B Confidentiality
  - C Integrity
  - D Professional behaviour
- (2 Marks)**
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## QUESTION NINE

**Which of the following statements about continuing professional development (CPD) for ICPAR members are true?**

- i) It is important that accountants learn new skills as well as maintaining their existing skills.
- ii) Members have to attend courses or seminars in order to comply with their CPD requirements.
- iii) Members who fail to comply with the Institute's CPD requirements will be deemed guilty of professional misconduct.

- A and (ii)
- B and (iii)
- C (ii) and (iii)
- D (i), (ii) and (iii)

(2 Marks)

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### QUESTION 10

The Code of Ethics identifies two key aspects of independence. **Which of the following correctly identifies these two key aspects?**

- A Independence of mind; independence of appearance
- B Professional independence; personal independence
- C Independence of thought; independence of mind
- D Independence of thought; independence of appearance

(2 Marks)

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### QUESTION 11

**According to the principles applicable to the political neutrality, which of the following statements is not correct?**

- A Public sector accountants must keep their jobs out of politics, and politics out of their jobs.
- B Public sector accountants should not publicly express any view either for or against the policies of the government.
- C Public sector accountants have the same rights of political expression outside the work place, and in their own time, as ordinary members of the public.
- D All of the above.

(2 Marks)

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### QUESTION 12

Motor Parts Ltd is a general supply company which sells motor vehicle spares. The company does not have a system of tracking client's demands of the products. In January 2022, the company ordered a container of spare parts from China worth FRW15 Billion and due to low demand, a number worn out for the year ended 31 December 2023. The Managing Director has ordered the Chief Accountant to organize a team that should change etiquette of worn out stock to minimize the loss.

**Which of the followings best describe the consequences to Motor Parts Ltd?**

- A Litigation risk
- B Reputational risk
- C Operational risk
- D All of the above

(2 Marks)

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### QUESTION 13

The IESBA Code of Ethics outlines five factors that members should consider when attempting to resolve ethical conflicts.

**Which of the following are among the five factors that members are advised to consider?**

- i) Established internal procedures
- ii) All potential facts and rumours
- iii) Alternative courses of action, and their consequences

- A (ii) and (iii) only
- B and (iii) only
- C and (ii) only
- D (ii), (iii) and (i)

**(2 Marks)**

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### QUESTION 14

You have been working on assignments of A&B transport company. In an exit meeting with your client, you agreed to share the final report on email by the end of the week after incorporating all client's comments. Three days after the agreed deadline, you received a reminder email about the submission of the final report. You immediately thought that may be the email did not reach the client because it remained in outbox. Then you realized that the email was sent to the wrong email which happened to be of B&C Communication company.

**Is this a breach of confidentiality?**

- A No, because B&C are not a competitor for A&B therefore that information is irrelevant for B&C
- B Yes, because you have share client A&B company's sensitive information with third party-party without their consent.
- C No, because B&C company is not in the same business with A&B company
- D A and C

**(2 Marks)**

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### QUESTION 15

One of the ways organisations can communicate to their employees the behaviour expected from them is through a code of practice. However, code of practice or code of conduct will only be effective if employees follow them. **Which of the following is not a reason why it is important to adhere to an organisational code of conduct?**

- A To avoid the need for internal disciplinary procedures
- B Maintain the organisation's credibility
- C Ensure legal compliance
- D Maintain a good image with clients

**(2 Marks)**

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### QUESTION 16

According to the Companies Act 2009, **for how long does a Rwandan company need to keep a record of its assets and liabilities?**

- A Three years
- B Five years
- C Seven years
- D Ten years

(2 Marks)

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### QUESTION 17

**Which type of law best describes ‘wrongs relating to conflict between individuals within the community?’**

- A Law of Tort
- B Law of Contract
- C Civil Law
- D Criminal Law

(2 Marks)

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### QUESTION 18

Below is allowable disclosure of confidential information according to regulatory bodies which governs accounting profession. **Which among them is not?**

- A Making a voluntary disclosure to a regulator
- B Disclosing information required by public authorities
- C Disclosing confidential information in order to comply with the requirements of a professional body
- D Disclosing confidential information to a newspaper about a story of public interest

(2 Marks)

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### QUESTION 19

The following professional bodies are charged with the responsibilities of regulating the roles of accountants in one way or the other, **which one among them does not regulate the accountancy as such?**

- A International Federation of Accounts (IFAC)
- B Rwanda Revenue Authority (RRA)
- C International Accounting Standards Board (IASAB)
- D International Ethics Standards Board for accountants (IESBA)

(2 Marks)

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### QUESTION 20

Clarisse, an accountant who works for a law firm, has been asked by the Managing Partner to offer a potential client a sum of money if they choose Clarisse's firm to be represented by them in a law suit.

**Which of the following actions is most appropriate for Clarisse to take?**

- A Consult his manager for authorisation before proceeding with the request
  - B Politely tell the Managing Partner that such an offer breaches her ethical code
  - C Proceed with the Managing Partner's request
  - D Listen to the Managing Partner then ignore their request
- (2 Marks)**
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### QUESTION 21

John, an Institute of Certified Public Accountant of Rwanda (ICPAR) member in practice at Millennial Limited (ML) Ltd a firm which provides bookkeeping, auditing and tax advisory services for local business in Muhanga district. One of the clients of ML Ltd, Sweet Liquor Ltd has been allocated to John. Sweet Liquor Ltd is owned by John's sister, Leah Ishimwe.

**Which type of threat does this situation represent?**

- A Familiarity threat
  - B Advocacy threat
  - C Self-review threat
  - D Intimidation threat
- (2 Marks)**
- 

### QUESTION 22

**Which of the following best defines the fundamental ethical principle of professional competence and due care?**

- A Exercising reasonable judgement when making decisions
  - B Being straightforward and honest when answering queries and providing information
  - C Providing a quality of service that can reasonably be expected from a skilled and qualified practitioner
  - D Refraining from performing any services that you don't have sufficient knowledge or skills to perform
- (2 Marks)**
-



### QUESTION 23

An organization considers a number of factors in determining how long it should keep its books of account.

**Which among the following is the least significant?**

- A Legal or regulatory requirements.
  - B Public interest in the documents
  - C Cost of keeping documents
  - D The organization's need to access documents (2 Marks)
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### QUESTION 24

Silas a CAT student and a junior accountant at Patel Ltd was taken through the process of record keeping and transaction recording by his senior on his first day he reported to work. He understands that these records must contain complete, accurate and valid information.

**Which one of the following is not an element Silas must consider when maintaining proper financial records?**

- A Maintaining the records throughout the year.
  - B Records need not to be updated once recorded.
  - C Retaining the records for as long as necessary
  - D Setting up appropriate records in the first place (2 Marks)
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### QUESTION 25

You an ICPAR member in practice, one of your clients' is being investigated by Rwanda Revenue Authority (RRA). RRA ask you to provide them with certain information, to assist in their inquiry. You refused to co-operate saying that this would be a breach of duty of confidentiality to your client.

**Is it under your obligation to disclose information about your client?**

- A Yes, law requires the disclosure
  - B Yes, disclosure is in the public interest
  - C No, it is not under the obligation of member in practice.
  - D No, the client has not authorized the disclosure (2 Marks)
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### QUESTION 26

**Which of the following statements is not correct in relation to whistleblowing?**

- A Provided a disclosure is made in good faith, a whistle-blower cannot be sued for making that disclosure
- B It may be necessary for an accountant to whistle blow in order to fulfil their public interest duty
- C Information can be provided verbally, in writing, or through any other means
- D Employees should whistle blow as soon as they suspect illegal or unethical behaviour

**(2 Marks)**

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### QUESTION 27

Ingabire is an ICPAR member practice and he has recently been engaged in preparation of financial statements for a client, and he is aware that he lacks some knowledge in International Financial Reporting Standards (IFRSs) to be in position to prepare financial statements properly.

**Which among the following ethical principles is threatened in this situation?**

- A Objectivity
- B Integrity
- C Confidentiality
- D Professional competence and due care

**(2 Marks)**

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### QUESTION 28

Nshimiye has been an accountant of district hospital for five years. Recently he saw a job advert at job in Rwanda where one organization was looking for on the position of Head of Finance and Administration. One of the key experiences was five years' confirmed experience in finance including at least two years 'on a managerial position. Nshimiye decided to apply for the job, but he modified his CV a bit in order to meet the key experience requirement.

**Which of the following statements describes the above scenario?**

- A Nshimiye has misled the potential employer and breached the ethical principle of integrity
- B Nshimiye has misled the potential employer and breached the ethical principle of objectivity
- C Nshimiye has not compromised his professional ethics because he has five years' experience
- D None of the above

**(2 Marks)**

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### QUESTION 29

**Which of the following pairs of principles of behaviour are included in the seven principles of public life?**

- A Reliability and leadership
- B Openness and leadership
- C Openness and confidentiality
- D Reliability and confidentiality

**(2 Marks)**

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### QUESTION 30

As a practicing accountant, the fundamental principle of professional competence requires you to be aware of technical and business developments and to maintain the capabilities necessary for you to continue to perform competently within the professional environment.

**Which of the following factors influence the Continuing Professional Development (CPD) of an accountant?**

- i) Introduction of new software or requirements
- ii) Feedback from managers
- iii) Skills shortfalls identified in the course of work
- iv) Professional developments

- A and (iv) only
- B (ii), (iii) and (iv)
- C (iv) and (ii) only
- D All of the above

**(2 Marks)**

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### QUESTION 31

Protas is an experienced tax consultant in one of the big four audit firms in Rwanda. Recently, he was pressured by his supervisor to conceal some of the expenses in tax declarations of the client that would change the tax position of the client. Protas is conscious about reporting his supervisor to the tax partner, fearing unfair performance appraisal by his supervisor. To erase his fears, he went ahead and reported the issue to Rwanda Revenue Authority (RRA) so that his performance appraisal is not hampered

**As an accounting professional, do you think Protas did the right thing?**

- A Protas did wrongly by reporting his supervisor to RRA
- B Protas reporting at first instance to external parties
- C Protas should have first reported to RIB because the issue required investigation first
- D Protas demonstrated fear in reporting unethical behaviour

**(2 Marks)**

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### QUESTION 32

**What must an accountant do in a situation where the threat to professional competence and due care from performing certain duties cannot be reduced to an acceptable level?**

- A Consult with a supervisor
- B Obtain additional training
- C Consult with their relevant professional body
- D Refuse to perform the duties

**(2 Marks)**

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### QUESTION 33

You are part of team engaged to conduct audit in small cosmetic company in Rwanda 'BEAUTYCO'. During the audit process, you identified a fraud case where the Director of Finance used FRW 5 Million to finance his own construction works. During the reporting process, the Director of finance approach your team leader and agreed to report the case identified

**Which one the following is considered as the best option in line with professional conduct?**

- A To escalate the issue to the supervisor
- B To report the case to company's shareholders
- C To discuss the issue with your colleagues at the office and ask them advice
- D To let your team leader, handle the case in his/her own ways, once you did what you were supposed to do.

**(2 Marks)**

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### QUESTION 34

Garuka an accountant in one of the local accountancy firms realized that one of his colleagues/ staff seriously overstated their claim for mileage for travel to one of their clients while others are believed to have been given a ride but still presented their mileage claim forms.

**What is the best action Garuka should take?**

- A Inform both staffs that the completion of expense form implies both honesty and integrity.
- B Authorize the expense claim and then send out a memo to all staffs reminding them that they have a duty to demonstrate honesty and integrity.
- C Process the expense form and then report both staff to the office manager informing him that you have verifiable evidence that the expense forms have been incorrectly completed.
- D Process the expense form but informally tell the staff that in future you will be checking their expense form more thoroughly.

**(2 Marks)**

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### QUESTION 35

**Which of the following correctly describes the ethical principle of ‘independence in appearance’?**

- A An accountant must carry out their work in such a way as to give a reasonable person no cause to question their objectivity.
  - B An accountant must complete their work without excessive supervision.
  - C An accountant must complete their work free from bias or prejudice
  - D An accountant must carry out their work with integrity, objectivity, and professional scepticism. **(2 Marks)**
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### QUESTION 36

Accountants who work in practice may come into contact with clients’ monies. Client monies are any funds or other documents that can be converted into money that the accountant in practice holds on behalf of a client.

**Which among the following circumstances would accountants in practice not allowed to hold clients' monies?**

- i) When holding the client's money is outside the regulated activities of the accounting profession
  - ii) When holding the client's money constitute money laundering activities
  - iii) When there is justification in holding the clients’ money
- A (i) only
  - B (ii) only
  - C (iii) only
  - D (i) and (ii) only **(2 Marks)**
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### QUESTION 37

Hakizimana is a Chief Accountant in one of the listed insurance companies in Rwanda and he is a member of ICPAR. Recently, he came to know that the published financial statements in a widely read newsletter include false information that were compiled falsely by the Assistant Accountant under the guidance of the Chief Finance Officer.

**What is the most appropriate course of action to be undertaken by Hakizimana?**

- A Resign from his post to avoid any negative effect arising from false information published
  - B Report the Assistant Accountant and Chief Finance Officer to Rwanda Investigation Bureau (RIB)
  - C Be silent to avoid reprimand reaction from his supervisor
  - D Disassociate from the false information by writing a petition to CEO **(2 Marks)**
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### QUESTION 38

Munezero Munzinza is audit partner of MM Ltd Audit firm; the firm has been auditing one of the big banks in Kigali. Shortly before the year end audit, the management of the bank communicated to the MM Ltd that the bank has received a cheaper offer/quote from a rival audit firm for conducting the annual audit, and that it is then considering changing the auditors next year.

Regarding to scenario above, **which of the following is the most appropriate potential safeguard for the MM Ltd audit firm?**

- A Resign from the audit engagement.
  - B Contact the rival auditor and persuade them to raise their quote.
  - C Reduce the coverage of the audit work to save costs so that the fee will be lower.
  - D Stay with the original audit plan for this year and give the bank a clear account of the time spent.
- (2 Marks)**
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### QUESTION 38

To safeguard against the risk of being found liable to pay compensation, **accountants may add which of the following to their work?**

- A Disclaimer of trust
  - B Disclaimer of ability
  - C Disclaimer of confidentiality
  - D Disclaimer of liability
- (2 Marks)**
- 

### QUESTION 40

**Respecting another's rights to confidentiality and privacy's is an example of which quality of ethical behaviour?**

- A Honesty
  - B Sensitivity
  - C Fairness
  - D Integrity
- (2 Marks)**
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### QUESTION 41

Which of the following statements is/are true?

- i) The Code of Ethics for Professional Accountants is legally binding.
- ii) Under the Code of Ethics, as a minimum accountant are expected to comply with the laws and regulations of the country in which they live and work.

- A Neither of them
- B only
- C (ii) only
- D Both of them

(2 Marks)

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### QUESTION 42

Twahirwa had a major disagreement with Shema in their roles on a planning committee. Shema subsequently left his role and joined a construction firm. When Shema's firm applied for permission to build a hotel, Twahirwa voted it down, despite the application meeting the planning department's criteria. Twahirwa admitted to a colleague that he wanted to take the opportunity to 'teach Shema a lesson'. **Which of the principles of public life has Twahirwa breached here?**

- A Accountability
- B Integrity
- C Objectivity
- D Leadership

(2 Marks)

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### QUESTION 43

Gahigi is a Senior Accountant of Musanze Institute of Professionals, and he is one of the three (3) members of the Institute's tender committee. The Chairperson of the committee is the Finance Director, and he has approached Gahigi to request him to vote Alliance Carpenters Ltd on the bid of supplying classroom chairs worth FRW 150 Million since the supplier accepted to give an incentive of 15% of the bid price and you will share that incentive equally. **Which of the following is the most appropriate course of action Mugwaneza would undertake?**

- A Report the issue to the procurement steering committee of the board of directors
- B Accept the deal and make it confidential to avoid issues with the Human Resources Manager
- C Report the issue to the 3rd tender committee member and resolve the issue peacefully
- D Refuse the cooperation and reiterate on the chairperson as per the company's code of ethics

(2 Marks)

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#### QUESTION 44

Habimana, a member in practice, has been tasked to complete an important assignment by their supervisor. However, Habimana knows that he will not have enough time to complete the work properly and he does not have required skills to perform the task completely.

**Which one of the fundamental ethical principles is under threat?**

- A Professional competence and due care
- B Professional behaviour
- C Confidentiality
- D Integrity

**(2 Marks)**

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#### QUESTION 45

There are certain services, known as reserved areas, which an accountant cannot legally offer unless they are authorised to do so by the relevant regulatory body such as ICPAR.

**Which of the following is not a reserved area?**

- A Investment business
- B External audit
- C Statutory accounts preparation
- D Insolvency practice

**(2 Marks)**

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#### QUESTION 46

Government needs to be able to trust public sector accountants both to provide them with reliable and accurate information, and to carry its instructions. As such, accountants who work in the public sector must be politically neutral. Which of the following is not among the general principles that apply to public sector accountant providing political neutral services.?

- A Freedom of expression
- B Independence and objectivity
- C Balancing rights and neutrality
- D Fair and honest advice

**(2 Marks)**

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### QUESTION 47

**Why should Accountants know and act ethically and legally?**

- i) Because meeting legal and ethical requirements protect accountants from criminal and civil liabilities.
- ii) Because professional bodies like ICPAR require its members to meet legal and ethical requirements.
- iii) Because meeting legal and ethical requirements give credits to accounting profession in society.

- A Both (i) and (ii)
- B Both (ii) and (iii)
- C (iii) only
- D All of the above

**(2 Marks)**

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### QUESTION 48

Tuyisenge is an auditor working on statutory audit of a client. Upon completion of his audit assignment at the client, Tuyisenge accepted a gift in appreciation for the advice he gave to the client.

**Which personal quality of an accountant is most likely to have been breached here?**

- A Scepticism
- B Social Responsibility
- C Independence
- D Accountability

**(2 Marks)**

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### QUESTION 49

Every professional accountant must have profound knowledge on the possible threats to ethical behaviour. The following are safeguards to various threats to ethical behaviour.

**Which among them is a safe guard in the work environment?**

- A Disciplinary procedures
- B Quality controls and internal audit procedures
- C Regulatory monitoring
- D Continuing Professional Development (CPD) requirements

**(2 Marks)**

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### QUESTION 50

The statements below are correct as far as fundamental ethical principles of confidentiality to accountants are concerned.

**Which among them is not correct?**

- A Confidentiality principle is also applicable to information acquired from prospective clients/employers for future professional relationship.
- B Confidentiality serves public interests since it facilitates the free flow of information from clients or employers to professional accountant with confidence that the information shall not be disclosed.
- C Duty to comply with the confidentiality will cease after expiry of contract between accountant and his/her employer.
- D None of the above.

**(2 Marks)**

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**End of Question Paper**